

McCRACKEN COUNTY
JEFF JERRELL, COUNTY CLERK

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Revenues, Expenditures and Excess Fees – Regulatory Basis	2-4
Notes to Financial Statement	5-6
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	7

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Independent Auditor's Report

The Honorable Danny Orazine,
McCracken County Judge/Executive
Jeff Jerrell, McCracken County Clerk
Members of the McCracken County Fiscal Court

We have audited the accompanying statement of revenues, expenditures, and excess fees – regulatory basis of the County Clerk of McCracken County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2005, in conformity with the regulatory basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2006, on our consideration of the County Clerk's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of McCracken County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Williams & Lentz, LLP

April 24, 2006

MCCRACKEN COUNTY
JEFF JERRELL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Revenues:

State grant	\$ 36,786
State insurance reimbursement	<u>17,520</u>
State fees for services	<u>29,189</u>
Fiscal court	<u>100,782</u>
Licenses and taxes:	
Motor vehicle:	
Licenses and transfers	1,655,275
Usage tax	8,071,310
Tangible personal property tax	5,457,322
Other:	
Fish and game	6,451
Marriage	29,325
Beer and liquor	5,309
Deed transfer tax	269,657
Delinquent taxes	<u>467,598</u>
Total licenses and taxes	<u>15,962,247</u>
Fees collected for services:	
Recordings:	
Deeds, easements, and contracts	52,901
Real estate mortgages	124,060
Chattel mortgages and financing statements	194,567
Powers of attorney	4,280
All other recordings	73,143
Charges for other services:	
Automobile affidavits	23,110
Copy work	26,771
Miscellaneous	<u>12,527</u>
Total fees collected for services	<u>511,359</u>
Other:	
Drug Council fees	67,585
Postage	10,132
Candidate filing fees	<u>500</u>
Total other	<u>78,217</u>
Interest earned	<u>1,737</u>
Total revenues	<u>16,737,837</u>

Expenditures:

Payments to state:	
Motor vehicle:	
Licenses and transfer	1,239,765
Usage tax	7,796,486
Tangible personal property tax	1,737,138

(Continued)

MCCRACKEN COUNTY
JEFF JERRELL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Expenditures:

Payments to state:

Licenses, taxes and fees:

Fish and game	\$ 6,209
Marriage licenses	2,826
Spouse abuse	8,500
Delinquent tax	57,560
Legal process tax	47,147

Total payments to state	10,895,631
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Payments to Fiscal Court:

Tangible personal property tax	439,594
Delinquent tax	75,366
Deed transfer tax	254,894
Beer and liquor licenses	5,300

Total payments to Fiscal Court	775,154
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Payments to other districts:

Tangible personal property tax	3,041,075
Delinquent tax	216,459

Total payments to other districts	3,257,534
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Payments to Sheriff	6,027
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Payments to County Attorney	48,909
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Payments to Drug Council	64,063
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Operating expenditures:

Personnel services:

Deputies' salaries	1,017,906
Part-time salaries	14,475

Employee benefits:

Employer's share social security	78,522
Employer's paid health insurance	208,501

Contracted services:

Advertising	1,234
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Materials and supplies:

Office supplies	58,963
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Other charges:

Conventions and travel	3,019
Dues	2,500
Postage	14,655
Election expense	111
Returned check expense	370
Refunds	120,770

Total operating expenditures	1,521,026
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Total expenditures	16,568,344
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(Continued)

MCCRACKEN COUNTY
JEFF JERRELL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Net revenues	\$ 169,493
Less unexpended state grant	36,786
Less statutory maximum	<u>79,846</u>
Excess fees	52,861
Less expense allowance	3,600
Less County Clerk's training incentive	<u>799</u>
Excess fees due County for 2005	48,462
Payment to Fiscal Court - March 14, 2006	<u>48,462</u>
BALANCE DUE AT COMPLETION OF AUDIT	<u><u>\$ -</u></u>

See notes to financial statements

MCCRACKEN COUNTY
JEFF JERRELL, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT

Note 1 - Summary of Significant Accounting Policies:

Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

Basis of Accounting

KRS 64.820 directs the Fiscal Court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the Fiscal Court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for December 31, 2005, services
- Reimbursements for December 31, 2005, services
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in December 31, 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

Cash and Investments

Cash includes amounts in bank accounts.

At the direction of the Fiscal Court, KRS 66.480 authorizes the County Clerk to invest in obligations of the United States and of its agencies and instrumentalities; obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States; obligations of any corporation of the United States government; bonds or certificates of indebtedness of this state; and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

(Continued)

MCCRACKEN COUNTY
JEFF JERRELL, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT

Note 2 - Employee Retirement System:

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 8.48 percent for the period January through June 2005, and 10.98 percent from June through December 2005. These actuarially determined rates are established and amended by the respective Board of Trustees of the system and were equal to the required contributions for the year. The contribution requirements and the amounts contributed to CERS were \$162,459, \$136,737, and \$121,815 for the years ended December 31, 2005, 2004, and 2003, respectively.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 564-4646.

Note 3 - Deposits:

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The government follows the requirements of KRS 41.240(4) and does not have a deposit policy for custodial risk. As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4 – Grants:

The County Clerk has received \$36,786 from the Commonwealth of Kentucky Department for Libraries and Archives. As of December 31, 2005, no expenditures have been incurred in conjunction with this local records grant, and all monies received were being held in a separate bank deposit account.

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**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An
Audit Of The Financial Statements Performed In
Accordance With *Government Auditing Standards***

The Honorable Danny Orazine,
McCracken County Judge/Executive
Jeff Jerrell, McCracken County Clerk
Members of the McCracken County Fiscal Court

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the McCracken County Clerk for the year ended December 31, 2005, and have issued our report thereon dated April 24, 2006. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCracken County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the McCracken County Clerk's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Williams, Williams & Lentz, LLP
April 24, 2006